



Amana  
Accounts

# 7

**POTENT STRATEGIES TO  
SUPERCHARGE  
YOUR PHARMACIES  
CASH FLOW...  
NO.7 WILL SHOCK YOU!!**

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Never worry about paying staff, bills and taxes again!!!



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# WELCOME

## *Thank you for downloading my 7-Step Guide to Supercharge Your Pharmacies Cash Flow.*

We all know that cash is king... it is the life blood of all businesses. As a business owner you know that turning strong profits is not always a sign of solid cash flow.

In this guide I will show you all my tactics to take your cash flow to new heights. I will reveal the hidden killers that are holding your Pharmacies cash flow back.

You will be empowered to implement these strategies in your Pharmacy TODAY... and if applied correctly... rest assured you will start to see a torrential downpour of cash in your Pharmacy.





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## WHO AM I?

My name is **Adam Mobarek** and I was practically born into a dispensary. My father is a proud owner of multiple Pharmacies across Australia. So, Pharmacy has always been part of my world. People called me crazy when I decided to not follow in my father's footsteps and decided to pursue my passion for Accounting and Business. Funnily enough, I landed in the Pharmacy world...just from a different angle.

I'm now director of Amana Accounts... Specialists in Pharmacy Bookkeeping.

Every month I'm analysing PNLs, cash flows, KPIs, dashboards and everything financial about a Pharmacy. I have developed a Unique Pharmacy Specific Reporting Tool... designed to help my clients grow sales, margin and cash flow.

So, I know a thing or two about Pharmacy cash flow.

**Now, let's get into it.**





# TABLE OF CONTENTS

| Sr. No. | Strategies                                                 | Page No. |
|---------|------------------------------------------------------------|----------|
| 1       | Manage Stock & Best Practice Ordering Systems              | 5        |
| 2       | Nail your Stock Turns                                      | 6        |
| 3       | Build a Solid Budget & Cash Flow Forecast                  | 6        |
| 4       | Increase Basket Size                                       | 7        |
| 5       | Measure Key Performance Indicators (KPIs)                  | 8        |
| 6       | Think like a Retailer                                      | 9        |
| 7       | Invest in Online Marketing and<br>Social Media Advertising | 10       |





## ✓✓ **1** **MANAGE STOCK & BEST PRACTICE ORDERING SYSTEMS**

### *Managing your stock is the single most important element to strong and solid cash flow*

Some Pharmacies are over ordering and tying up their cash in dead stock. Other Pharmacies have too little stock on the shelf which leads to a loss of sales.

And I know you're probably thinking, this is elementary stuff... but I see time and time again, mismanaged stock management in Pharmacies. So, you need to put in the effort and review your processes and ensure there is no leakages in your ordering and stock management systems.

Staff need to be trained that stock is literally like having cash on the shelves. Ordering systems need to be meticulous to ensure the cash flow of the business is being maximised.

All Pharmacy POS systems have stock and order management functionality, however, in our experience we have found that Pharmacists are not taking advantage of this technology. It amazes me hearing Pharmacies having manual ordering systems.

Utilise the tools built into your POS. Set tight parameters for ordering. Constantly review these parameters to ensure your ordering is efficient. If you require training contact your software provider and they will be able to help you to take advantage of the stock management functions of your POS.

For these computerised systems to work it is crucial that your stock count is reliable and accurate. If you are not confident in your stock levels, perform a stocktake and ensure you implement systems to maintain reliable and accurate stock on hand through systems such as rolling stocktakes throughout the year. This will not only help with efficient ordering, but it will also help with business intelligence. With accurate stock on hand we can produce extremely powerful data to unlock insights into stock management and cash flow.

Review your current stock and identify what goods aren't moving. These items are dragging on your cash flow. Get rid of them - sell at a discount if you must.

Don't waste hours and hours in the week with ordering stock. It doesn't just impact the efficiency of your stock management it can also burn labour hours. Your staff will be unnecessarily spending time on ordering and stacking shelves. Your investment in wages would be far better spent allowing your staff to be busy with delighting your customers and increasing sales.

We recommend 1-2 orders per week. If you are finding you are ordering the same products each week then look at tightening up your ordering parameters and include a larger order at the beginning of the month.

Indeed, ordering requires lots of tender love and care (TLC) but if you leverage the technology in your POS you will find that you can save a lot of hours. More importantly you will boost your cash flow and add more \$\$\$ into the bank.



## ✓✓ 2 NAIL YOUR STOCK TURNS

The efficiency of your stock management is illuminated by stock turns. If you implement the advice given in the above section, you will see an increase in stock turns and hence a drastic improvement in cash flow.

***I know a Pharmacy that more than doubled their stock turns from 5.8 to 11.9 times per year. This effectively freed up over \$275,000 in cash which allowed the owner to invest into a new Pharmacy.***

But it's not enough to simply measure stock turns of your overall business... measure by category/department. Identify which categories are high performing and low performing. Then you can go even deeper and analyse by stock item.

This arms you with knowledge on how to stock your shelves. You can pull out poor performing items and fill this space with stock that will sell and increase your profitability and cash flow.

Perhaps poor performing items may mean staff require training to help sell these product lines.

## ✓✓ 3 BUILD A SOLID BUDGET & CASH FLOW FORECAST

***If you fail to plan you are planning to fail - Benjamin Franklin.***

I get the feeling he wasn't referring to Pharmacy cash flow but the principle remains true.

All top performing Pharmacies I work with are making budgets and forecasts. A forecast is a road map to success. It helps you stay on track if you ever fall off the beaten track.

A common mistake I see so often is budgeting only for the profit and loss. As mentioned earlier profit doesn't always translate to cash. What would be the use in budgeting for a profit and yet you don't have the cash flow to trade through these conditions? So, it's absolutely crucial to forecast for the profit and loss, balance sheet and cash flow... we call this a 3-Way Forecast.

A budget keeps you motivated to achieve your desired goals. The best way to formulate your budget is to reverse engineer your goals. Start with the desired profit and cash flow and then work backwards to see what your sales, margin, wages, rent and all other overheads should be. Make sure you are realistic and budget for achievable outcomes. If you are trading at 33% margin and you have fierce discounter competition in your locality then perhaps budgeting for a margin of 38% is not a good place to start. Don't get me wrong I encourage you to be ambitious and stretch yourself, however, by simply setting unrealistic targets you do not have a true road map of getting to your destination.



Get really granular with your budget. Start with the end in mind... what is your yearly target? Then further break this down into months, weeks and even daily targets. This will make your targets more easily measurable. You can set your team weekly targets and communicate this effectively in staff meetings, team MEMOS and notice boards. Let everyone in the team know they are part of this journey. Remember every interaction you have with your patients is an opportunity to achieving your goals. Just imagine knowing every hour how many scripts you need to dispense to reach your goals. It will keep you focused and motivated.

I once attended a Pharmacy conference and heard a profound quote from the famous personal trainer and TV celebrity Michelle Bridges "if you want greatness, it's in the small, consistent rituals you practice"

## BUDGET VARIANCE ANALYSIS

Now that you have a budget in place... it's time to measure against your budget.

***There's no point making a budget if you don't regularly measure actual performance to your budget***

The purpose of this process is not to simply say; Hey I went over my allocated wage budget last month – or I didn't hit my sales targets. BUT... we do this to keep us on the right track... you will be able to make better business decisions and pivot throughout the year to ensure you hit your desired sales, margin and profit targets. Without this process in place you could be burning cash throughout the year without even knowing it.

By the way there's absolutely nothing wrong with making adjustments to your budget as the year evolves. Things change at such a rapid pace in business. 2020 is no better example of this.

## 4 INCREASE BASKET SIZE

I really love this measure as it gives you a practical approach to improving sales, profitability and cash flow. It's easy to say let's increase our sales, but then the question is HOW? Increasing basket size is one of the easiest ways to do this. You already have the customer in your store so maximise the opportunity.

One of the best ways to increase basket size is by setting your store up right. Invest in a professional to help you with a planogram to maximise the utilisation of the space your store has to offer your customers.

Gone are the days where you can rely on dispensary income to have a successful and profitable Pharmacy

***You need to start thinking about closing that gap between dispensary and front of shop and really driving the front of shop in your Pharmacy. Set yourself a goal to be 60/40 in Dispensary vs Front of Shop.***



Equally as important is to have a great team of Pharmacists and Assistants. Upskill your staff to ensure they are equipped with knowledge to upsell and cross sell where appropriate. You can't do everything in your Pharmacy. By investing in your staff, they will help move the needle. Train them in both clinical and sales/retailing knowledge. Help transform your team from being order takers to active sellers. Consider developing programs in store towards solution selling and full and complete recommendations. Bring in experts, share your experience and do everything you can to have a 5-star team that can take your Pharmacy to the next level.

## ✓ 5 MEASURE KEY PERFORMANCE INDICATORS (KPIs)

KPIs are a brilliant way to monitor the performance of your business. We have a motto in our practice;

***“don't measure everything that moves, measure what matters most”.***

Measure KPIs that will help you to get closer to achieving your goals.

We see a lot of Pharmacies only measuring profit and loss KPIs or “financial performance” KPIs. While these are crucial, they do not give a holistic picture of your business. Start analysing balance sheet and cash flow KPIs.

We have already mentioned stock turns, which is the single most important KPI to help Pharmacies improve their cash flow.

Other important balance sheet and cash flow measures include:

- ☑ Debtor Days
- ☑ Creditor Days
- ☑ Cash Conversion Cycle
- ☑ Current Ratio

In the interest of brevity, we will not provide the formulas and the details on these KPIs. Feel free to reach out to us if you need assistance in calculating these KPIs in your Pharmacy.

### LEADING AND LAGGING INDICATORS

Leading indicators are those KPIs that will help you predict future outcomes. Whereas, lagging indicators reviews historical data. For example, sales growth is a lagging indicator and customer satisfaction is a leading indicator. Neither is better than the other and both have their merits, the key for you is to have a good mix of both leading and lagging indicators when reviewing your business.

### NON FINANCIAL

Focusing on non-financial KPIs can be very useful. Non-financial KPIs can lead to improvements in financial KPIs and performance. Common example include; customer satisfaction and staff satisfaction.

**Wondering how you can measure customer satisfaction?** I have seen a client innovate a survey at the POS for all customers to provide a rating on their experience in store.





## BENCHMARKING

Benchmarking to industry is a great way to see how you stack up against competitors. It will identify the strengths and weaknesses in your business so you can understand opportunities to grow. Beware to ensure you are measuring against a comparable Pharmacy. Not all Pharmacies are built equal. Shopping Centre Pharmacy vs a Rural Community Pharmacy will have completely different performance in areas such as gross profit margins or Dispensary vs FOS splits.

## FINAL REMARKS AND SUMMARY ON KPIS

- ✔ To get insight and value from KPIs, your bookkeeping needs to be tight. If your data is not accurate and following best practice bookkeeping systems, you may not get a true reflection of your business... the old adage rubbish in... rubbish out
- ✔ Consider your Pharmacy – for example if you are servicing a lot of nursing homes – potentially your wages to sales could be a on the higher end of industry standards. So perhaps, reviewing wages to GP is a better idea. Or even better, isolate the GP in nursing homes and the wages to service these nursing homes and you can get an analysis of your retail performance and the performance of serving your homes.
- ✔ Use the right mix of financial and non-financial KPIs as well as leading and lagging indicators
- ✔ Use the right mix of performance, balance sheet and cash flow KPIs
- ✔ I encourage you to review your KPIs using graphs. This helps make the data far more digestible and easier to identify trends and areas of strength and weaknesses in your Pharmacy. We use online dashboards which draws down data from your Accounting package in real time, so you can log in at anytime, anywhere, on your laptop, tablet or mobile and review the KPIs and performance of your business

## ✔ THINK LIKE A RETAILER

Everything we have discussed today has been financial in nature. So, to balance things out, let's discuss other key areas to run a successful Pharmacy. It doesn't matter how good your finance function is if your business model is not right. So, what I'm going to share with you are some thoughts on what a good retail store and Pharmacy looks like.

### MAKE YOURSELF LOCAL

Consider your area and location. I saw one client operating in a rural alpine region in Victoria. He identified the town being passionate for horse riding and had a very dry and hot climate in the summer. He took the opportunity in selling local leather hats which really added to his front of shop sales and bottom line. This client took the time to think about his customer base and found the products that he knew would sell to his community. So, take a step back, think about your area and what they may need, whether that be in product or services and champion that area in your business.

### CONSIDER YOUR RANGE

Some of the big discounters are not necessarily winning in price rather they are winning in range. The average Pharmacy stocks 6,000-8000 SKUs in their Pharmacy. Compare that to large discounters that stock more than 10,000 SKUs. The old saying "stock sells stock", is absolutely true. However, you need to ensure you strike the right balance.

### THINK LIKE A CUSTOMER

Put yourselves in your customers shoes. Present the shop in accordance to how your customer would like to walk into a Pharmacy. Perhaps you have a large customer segment of mums in your store, perhaps setting up a "Kidz Korner" will help delight these customers. Think outside the box and serve your customers.



#### CUSTOMER DRIVERS:

It's well known that there are 4 key customer drivers to buying:

- ✔ Convenience
- ✔ Range
- ✔ Service
- ✔ Price

Review these key areas of your Pharmacy and consider how you can make improvements. Go out and assess the terrain... visit other Pharmacies and make an honest comparison to your store. Remember you may not be able to beat on price but if you champion the other 3 elements, many of your patients will remain loyal, despite a large box discounter being nearby.

#### CONSIDER A NICHE

Every year when I see the Guild Pharmacy of the Year Awards, I note all the nominated Pharmacies seem to have a unique niche that they are championing. They are not your average Pharmacy with a Dispensary to FOS split of 70/30 – but they are pushing into the professional services area or really setting themselves apart in innovation.

Consider what your passions and strengths are clinically and how you could add value to your patients and put together a plan to strive in these areas of your Pharmacy.

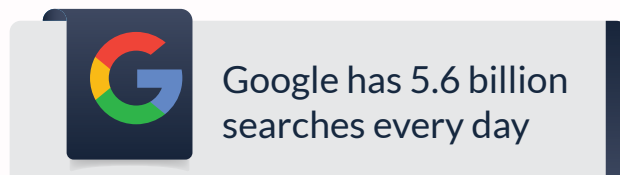
#### TICKETING & MERCHANDISING

You need to guide your customers to purchasing. Setting up the right stands in the right areas and having professionally ticketed items will really drive sales in your Pharmacy. For example, margins on private label items are upwards of 50% – so let these items stand out to your customers. Finally, ensure there is consistency in all your merchandising and branding.

## ✔ **7 INVEST IN ONLINE MARKETING AND SOCIAL MEDIA ADVERTISING**

*Very few Pharmacies have a presence online.*

*But we know*





These figures are mind blowing!!It poses a huge opportunity for you to win customers and scripts into your store.

Facebook has an incredible ability to target exactly who you want to reach. You cantarget by age, geographic location and interests. So, if you have certain offers, messages, promotions, or campaigns you wish to communicate to your community this is one of the fastest and easiest ways to get this done.

Just the fact that you are reading this paper right now should be testament to the power of online marketing and social media.

Don't forget there is organic and paid methods to win on Facebook and Social Media.

Start with organic and free methods by simply creating a Facebook page and regularly posting and engaging with your community. Let your customers know in store to like your page so they can stay in touch with your content.

Be focused on adding value to your patients and sharing relevant and important information. This will make you the trusted health advisor and increase loyalty within your community.

I have 1 client that gives one of his Pharmacy Assistants a couple of hours each week to move out of the shop and focus on social media content. So, if time is your issue then get creative and empower your staff in this task.

If you want to take things to the next level, you can start a paid campaign which has the potential to drive even more traffic into your store. This paid advertising model is very measurable, infact extremely scientific... you can easily see the success of campaigns and set budgets to ensure you don't burn cash without getting a return on investment.





## CLAIM YOUR FREE STRATEGY SESSION WITH ADAM TO GIVE YOU A ROAD MAP TO SUPERCHARGING YOUR PHARMACIES CASH FLOW (WORTH \$495)

I really hope you have found benefit and value in the contents of this paper. It's important to note that change will only occur through action. If you simply read this paper then you will have learnt some things and increased your financial acumen. But if you are serious about taking your Pharmacy to the next level then you will begin implementing some of these strategies and taking action today.

I've given you what you need to get started. But if you have any questions or would like my help on implementing any of the above strategies, get in touch today. Even better, every month I conduct a very limited number of FREE 30 minute strategy sessions, where we'll discuss your business goals and challenges and draw up a road map to take control of your cash flow.

- ✓ Demo my coveted **Unique Pharmacy Specific Reporting Tool** – I laboured many hours building and developing this tool... and its designed to helping you grow your Pharmacy
- ✓ I will build a **budget and forecast** with you on the call. You will walk away with a road map to achieve your goals for the next 12 months
- ✓ Share our **best practice pharmacy bookkeeping system** – I will discuss how you are preparing your accounts and ensure your data is accurate to ensure your financials are a true representation of your business performance
- ✓ Demonstration of the **MUST USE** apps to help you save hours of time on bookkeeping so you can reinvest that time into revenue generating activities
- ✓ Unearth potential opportunities in your Pharmacy to start seeing the **cash begin pouring into your business.**

**If you are ready to kick your Pharmacy into overdrive and start supercharging your cash flow...book your FREE strategy session by clicking the button below.**

**CLAIM YOUR FREE 30-MINUTE STRATEGY SESSION**



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